

Message Text

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SUBJ: YUGOSLAV ECONOMIC RELATIONS WITH EC AND US

REF: (A) STATE 84965; (B) PARIS 6355; (C) COPENHAGEN 0276
(D) 77 STATE 301332

1. YUGOSLAV MINISTER FOR EEC RELATIONS MOLE WILL VISIT COPENHAGEN ON FRIDAY, APRIL 28, TO DISCUSS WITH THE DANISH EC PRESIDENCY PROGRESS ON A NEW EC-YUGOSLAV COOPERATION AGREEMENT.
2. ACCORDING TO OLE KOCH, DEPARTMENT HEAD AT THE FOREIGN MINISTRY, THE DANES WILL BE ABLE TO DO LITTLE MORE THAN LISTEN TO SMOLE, WHOSE PRIMARY CONCERN WILL BE A REDUCTION IN THE UNFAVORABLE YUGOSLAV TRADE BALANCE WITH THE EC.
3. THE NINE, KOCH SAID, ARE FULLY AWARE OF AND AGREED ON THE POLITICAL DESIRABILITY OF STRENGTHENING YUGOSLAV ECONOMIC RELATIONS WITH THE WEST. YUGOSLAVIA, HOWEVER, SETS A CONDITION WHICH MAKES IT NEARLY IMPOSSIBLE FOR THE EC TO BE OF MUCH HELP; ID, IN THEIR DESIRE TO KEEP THEIR NON-ALIGNED, THIRD-WORLD CREDENTIALS IMPECCABLE, THE YUGOSLAVS "WANT EC PREFERENCES BUT IN A NON-PREFERENTIAL AGREEMENT". KOCH DESCRIBED THE EXISTING

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AGREEMENT AS VIRTUALLY LITTLE MORE THAN "A DECLARATION OF INTENT TO COOPERATE".

4. WITHOUT A PREFERENTIAL FRAMEWORK, KOCH SAID, THE EC CAN FIND FEW WAYS TO BE FORTHCOMING. MEMBER COUNTRIES HAVE NO WAY IN WHICH TO FORCE THEIR INDUSTRIES TO BUY FROM YUGOSLAVIA. FURTHERMORE, THE VARIETY, QUALITY, AND COMPETITIVENESS OF YUGOSLAV GOODS ARE

LIMIED. KOCK OBSERVED THAT WITH RESPECT TO TARIFFS, YUGOSLAVIA IS ALREAD A MAJOR BENEFICIARY OF THE EC'S GENERALIZED SCHEME OF PREFERENCES (GSP). HE ADDED, THAT THE EC COULD ALSO OFFER TECHNICAL ASSISTANCE IN TRADE PROMOTION SUCH AS THAT GIVEN TO DEVELOPING COUNTRIES BUT THAT SUCH A STEP WOULD HAVE LITTLE IMPACT IN THE SHORT RUN.

5. INASMUCH AS THERE ARE LITTLE OR NO TRADE POSSIBILITIES FOR AIDING THE YUGOSLAVS, KOCH INDICATED THAT EMPHASIS IN THE EC IS BEING PLACED ON FINANCIAL ASSISTANCE THROUGH THE EUROPEAN DEVELOPMENT BANK. THE EC SHOULD TRY TO BE GENEROUS HERE, KOCH SAID, "EVEN IF IT COSTS US SOMETHING". BUT KOCH ALSO PERCEIVED DIFFICULTIES IN THIS DIRECTION BECAUSE THE BANK'S ABILITY TO COMMIT ITSELF TO NEW LOANS WILL BE CIRCUMSCRIBED UNLESS ITS PRESENT LEVEL OF CAPITAL IS INCREASED.

6. AS FOR DENMARK, KOCH NOTED THAT THE DANES HAVE FOR YEARS BEEN FAVORABLY DISPOSED TOWARD YUGOSLAVIA. FORMER FOREIGN ECONOMIC MINISTER NORGAARD VISITED THAT COUNTRY SEVERAL TIMES AND URGED THAT IT ENTER INTO A FREE TRADE AGREEMENT WITH THE EC IN ORDER TO GAIN GREATER ACCESS. THE YUGOSLAVS DECLINED, HOWEVER, IN FAVOR OF MAINTAINING NON-ALIGNED ROLE.

7. COMMENT: IN THE CONVERSATION WITH KOCH REPORTED ABOVE AND IN A SEPARATE WRITTEN COMMUNICATION FROM THE AMBASSADOR TO FOREIGN CONFIDENTIAL

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MINISTRY UNDER SECRETARY ERSBOLL, WE REITERATED TO THE DANES THE IMPORTANCE THE UNITED STATES ATTACHES TO STRONGER YUGOSLAV ECONOMIC RELATIONS WITH THE WEST.
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